This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS OTTAWA 001374

SIPDIS

STATE FOR WHA/CAN - ALAN HOLST, EB/TRA - JON BYERLY

STATE PASS USTR FOR SAGE CHANDLER

TRANSPORTATION FOR OST/IA (EDDIE CARAZO, MARY STREET, SUSAN MCDERMOTT)

COMMERCE FOR 4320/MAC/WH/ONIA (BASTIAN, WORD)

FAA FOR LEEANN HART

TSA FOR SUSAN WILLIAMS

SIPDIS

E.O. 12958: N/A TAGS: EAIR EINV CA SUBJECT: Members of Transport Committee appear hostile to

liberalization

REF: 2004 Ottawa 3144

- 11. On May 4 Canada's Commissioner of Competition, Sheridan Scott, addressed the House of Commons Standing Committee on Transport as part of that Committee's on-going examination into the liberalization of civil aviation in Canada. Emboff was surprised at the extent to which MPs on the committee opposed liberalizing the aviation industry.
- 12. Scott was responding to reference questions posed to the Competition Bureau by Transport Minister Lapierre. Bureau endorsed and presented the case for competition. Scott noted that the Competition Bureau supports the elimination of all ownership restrictions, with a good first step being to raise the current 25% limit on foreign ownership to 49%. The Competition Bureau also supports "rights of establishment," i.e. allowing carriers to be established within Canada by foreign investors, as well as reciprocal Cabotage. Scott said that the current air services agreement with the USA has led to important benefits and substantial growth. At a minimum, she said, the GOC should seek "a U.S.-style open skies agreement including cargo co-terminalization." Competition Bureau support for liberalization is not new; these policy prescriptions have been a consistent message from the Competition Bureau since 1999.
- $\underline{\ }$ 3. MP's from all four parties responded with more or less hostile questions, and none seemed persuaded by the witnesses' replies. Indeed it appeared that foes of liberalization had won the day on shaping the MP's opinions on the matter. Conservative Jim Gouk asked "Can you protect us from another Jetsgo experience? How will you stop airlines from selling tickets below cost right before they cease operating?" The Bloc Quebecois MP Caroline St-Hilaire and New Democrat Bev Desjarlais were concerned about potential loss of service from smaller cities and towns and also, asked how liberalization would help airlines that are already in financial difficulty. Liberal Raymond Bonin posed the question "What's so wrong with having a dominant player?", and added, without irony "It's good for consumers.
- $\P4$. Comment: The Committee MP's apparent disdain for liberalization may not matter in the larger scheme of things since political pundits prognosticate that this Parliament has only about 2 weeks left to live before an election is called. If an election is called, this session of Parliament ends, all legislation before Parliament dies, and all Committees disband (and no air liberalization report will be produced). Nevertheless, we found the level of skepticism surprising; the next Transport Minister may have his work cut out for him persuading MPs of the virtues of open skies. End Comment.

Dickson